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Rocket Cos., Inc. (RKT)

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MANAGEMENT DISCUSSION SECTION

Operator: Hello, everyone, and welcome to Rocket Companies, Inc. First Quarter 2026 Earnings Call. Please note that this call is being recorded. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

I'd now like to hand the call over to Sharon Ng, Head of Investor Relations. Please go ahead.

Sharon Ng

Head-Investor Relations, Rocket Cos., Inc.

Good afternoon, everyone, and thank you for joining us for Rocket Companies earnings call covering the first quarter 2026. With us this afternoon are Rocket Companies' CEO, Varun Krishna; and our President and CFO, Brian Brown. Earlier today, we issued our first quarter earnings release, which is available on our website at rocketcompanies.com under Investor Info. Also available on our website is an investor presentation.

Before I turn things over to Varun, let me quickly go over our disclaimers. On today's call, we provide you with information regarding our first quarter performance, as well as our financial outlook. This conference call includes forward-looking statements. These statements are subject to risks and uncertainties that could cause actual results to differ materially from the expectations and the assumptions we mention today.

We encourage you to consider the risk factors contained in our SEC filings for a detailed discussion of these risks and uncertainties. We undertake no obligation to update these statements as a result of new information or further

events, except as required by law. This call is being broadcast online and is accessible on our Investor Relations website. A recording of the call will be posted later today.

Our commentary today will also include non-GAAP financial measures. Reconciliations between GAAP and non-GAAP metrics for our reported results can be found in our earnings release issued earlier today, as well as in our filings with the SEC.

And with that, I'll turn things over to Varun Krishna to get us started. Varun?

Varun Krishna

Chief Executive Officer & Director, Rocket Cos., Inc.

Good afternoon, everyone, and thank you for joining our first quarter 2026 earnings call. There is a lot happening at Rocket. So, I'm going to keep this simple. Three things mattered this quarter. First, we delivered strong performance in a volatile market. Second, we are using AI, data and distribution to create opportunity instead of waiting for the market to hand it to us. And third, Rocket is no longer the same company that it was three years ago. The shape of our business has not just changed. It has fundamentally evolved.

So, let's start with the quarter. Adjusted revenue came in at \$2.8 billion, above the high-end of our guidance range. That is not an accident. It reflects the durability of our model, the strength of our execution, and the discipline and resilience of our team. We do what we say, we say what we do, and we have done that through some of the most volatile operating conditions this industry has ever seen. That consistency is not cosmetic. It defines Rocket.

Our \$2.1 trillion unpaid principal balance stands out for both scale and quality. In Q1, we generated over \$1 billion in income from servicing fees. The power of that portfolio is simple. It creates stable cash flow, it balances the company, and it gives us a built-in engine for future growth. When you combine that with our origination business, you get a massive recapture platform that expands the top of our funnel without traditional client acquisition costs. That is a rare combination, recurring cash flow, deep client relationships and built-in upside when the market moves.

Net rate lock volume was \$49 billion, up 19% from last quarter. We gained market share in both purchase and refinance quarter-over-quarter and year-over-year. Adjusted EBITDA reached \$738 million, with margin expanding to 26% from 23% in the prior quarter. Adjusted diluted EPS was \$0.15 compared with \$0.11 in the fourth quarter.

Now, when I look at the housing market, there are two forces at work. The first is the market itself. Rates, affordability, inventory, consumer confidence. Q1 was a wild ride. Rates moved down through the early part of the quarter. The 30-year fixed rate went from 6.15% in January to just under 6% by the end of February. That helped spark both purchase and refinance activity.

Then, volatility returned. Rates moved back up to 6.5% in March. Affordability tightened. The spring season started unevenly. You can see it in the data. Existing home sales in March were down 1% year-over-year and nearly 4% from February. That's the market. It moves. It stalls. It surprises people. We do not build Rocket around being surprised.

The second force is much bigger, AI. AI is changing how every industry works, and housing is one of those industries. For decades, housing has been slow, manual, fragmented and expensive. Consumers have carried

too much of the burden. Agents, loan officers and servicers have fought through too much friction, too many steps, too many handoffs, too much waiting.

Artificial intelligence fundamentally changes that. Real-time data, predictive insight and intelligent automation can make the homeownership experience faster, simpler, more personal and more affordable. A lot of companies are talking about AI right now. Some are still trying to find a strategy. Others are bolting tools on to businesses that were never built to use them properly. That is not Rocket.

We have been building toward this for years. Over the last six years, we have invested more than \$500 million in AI, automation and the infrastructure underneath it. So, when people ask what AI changes for Rocket, the answer is clear. It helps us scale what we already do well. That distinction matters. AI without proprietary data is not much of an advantage. AI without distribution is not much of an advantage. AI without workflow integration, not much of an advantage. The advantage really comes from putting it all together.

At Rocket, we have the clients' data, servicing relationships, brand, technology, loan officers, agent network, marketing engine and operating discipline to put AI to work where it actually matters. Not in a demo, not in a lab, in the business at national scale. When AI is woven into the homeownership experience, we can do things others simply cannot match.

A client can describe their dream home to Redfin and find listings that fit what they actually mean, not just what they typed. A servicing client can be notified when it's time to refinance, understand their options and move through the process in minutes. A homebuyer can get preapproved when it is convenient for them, not when the industry feels like picking up the phone. That is where this gets extremely powerful.

Let me give you two examples. First, agentic AI is now managing client prospecting and outreach at the top of the funnel. That includes helping clients find homes through conversational search, reaching servicing clients when they are in the money, and pre-qualifying purchase clients. This gives us the ability to contact, engage and qualify our entire book, along with new leads across chat, voice and text.

Prospecting used to be one of the most time-consuming and lowest converting activities for our loan officers. In some cases, a loan officer might dial 14 clients just to get one on the phone. Now AI works those leads with precision. It knows the clients' preferred time and channel. It uses our proprietary data to personalize the experience. It helps us reach the right client with the right message at the right moment.

When you service one in six mortgages in America, speed and scale matter. When the market moves, we need to move at a level most of the industry cannot touch. AI prospecting has reduced loan officer prospecting time from up to two hours per day down to zero. That time is now being used with clients who are already engaged and prescreened, driving conversion higher by double-digits. That is not theory. That is production.

Here is the second example. In late February, we launched AI-powered purchase preapproval letters. The process is fast, simple, and it's available 24/7. No loan officer assistance is required. Clients can get preapproved when it works for them, and they're doing exactly that. 40% of our digital preapprovals are now completed outside of traditional business hours.

In just a few months, agentic preapprovals have grown to 10% of all preapprovals. We are generating more preapproval letters overall, with a lower percentage requiring loan officer involvement, while driving 33% higher conversion through AI. That is the model. Automate the work that should be automated. Let our people spend

more time where judgment, expertise and human connection matter most. Create a better experience for the client and better economics for the business.

Last quarter, I talked about an incremental \$1 billion in monthly volume driven by our AI innovations. With our latest launches, we have added another \$1 billion in volume per month. Our launch velocity has also changed fundamentally. We are now pushing out new features and experiences 5 times faster than we were just two years ago. That means faster scale, higher conversion, more capacity and better unit economics.

Turning now to integration, we are tracking very well against our major milestones. We now expect Mr. Cooper expense synergies to be fully realized by the end of 2026, one year ahead of the original plan. That is a major proof point. Integration is not putting logos next to each other. It is making the company work better, faster, and with more force.

That brings me to who Rocket is today. Three years ago, we began reconstructing the company. We made aggressive moves to restructure, refocus and reorganize Rocket into something much larger than a mortgage lender. In 2025, we built the foundation. We expanded the ecosystem. We strengthened the platform. We widened the top of funnel. We improved distribution.

In 2026, we are bringing it all together across search, origination, servicing, data, and of course, artificial intelligence. That is how we create our own opportunity. We are not waiting for a perfect rate environment. We are not waiting for the market to normalize. We are building a company that can win in the market we have and take even more ground when the market improves.

So, when you think of Rocket today, you should think of three things, platform, distribution engine and ecosystem. These are not slogans. They are the machinery of the company. No one matches our top of funnel when you combine home search, marketing and servicing recapture. No one matches the combination of our brand, scale, distribution and data. We have hundreds of thousands of real estate agents in our network and more than 10,000 loan officers and broker partners.

We have a technology platform custom-built for this industry. We have proprietary data that gets smarter with every client interaction. That is very hard to copy. Others may copy pieces, a feature here, a workflow there, a marketing claim, a model, a partnership. But a piece is not the system, and the system is what matters. Scale matters. Servicing matters. Recapture matters. Distribution matters. Data, compliance and execution all matter.

Without those things, AI is just a tool. With those things, AI becomes leverage. And then, there is culture. Culture is still one of Rocket's sharpest advantages. Whether someone came from legacy Rocket, Redfin or Mr. Cooper, they're here because they believe in the mission to help everyone home. That matters more than people think. We are ambitious. We are competitive. We want to win badly. But we also care deeply about the client and we care about each other. That combination is rare. Hard edge, real heart, that has always been Rocket.

For 40 years, our culture has helped us move through change before others were ready. It helped us lead through the Internet era. It helped us lead through mobile. And it is helping us lead again in artificial intelligence. We do not wait for change. We engineer it. That is who Rocket is today. This quarter shows the model is working. The AI work shows the model is getting stronger, and the company is built to take ground in whatever market shows up.

With that, Brian, over to you.

Brian Nicholas Brown

President, Chief Financial Officer & Treasurer, Rocket Cos., Inc.

Thank you, Varun, and good afternoon, everyone. Today, I'll discuss Rocket's strong first quarter results, which reflect the power of the Rocket ecosystem and platform. I'll also provide an update on how we continue to make progress on our fixed costs and walk through our outlook for the second quarter. Let me start with our financial performance. Over the past year, we've intentionally transformed Rocket, and it's showing up in the numbers.

In Q1, we beat guidance, expanded EBITDA margins and grew market share in both refinance and purchase. Adjusted revenue grew to \$2,822 million, surpassing the high-end of our guidance range. Adjusted net income was \$422 million or \$0.15 of adjusted EPS. Adjusted EBITDA rose to \$738 million, up from \$592 million last quarter, with margins expanding to 26%. This was our most profitable quarter in four years.

This performance was the direct result of deliberate strategy and sustained investment. Rocket was built to perform through volatility, across every rate environment in every market cycle. The industry experienced a favorable origination environment in January and February as rates cooperated, followed by a sharp reversal in March as energy prices surged with the outbreak of the conflict in the Middle East. Rocket navigated both environments with strength.

Net rate lock volume reached \$49 billion, a 19% increase quarter-over-quarter, driven by growth across all origination channels. The service client recapture in Rocket Pro channels led the way. The combination of the Rocket brand, more personalized experiences and AI-powered origination capabilities drove recapture on Mr. Cooper-originated clients to an all-time high. The gains we have seen in the first two quarters since closing have exceeded our internal expectations, and the numbers reflect it.

Closed loan volume from our servicing portfolio hit an all-time high, with 54% of refinance closings coming from existing service clients. On the wholesale side, Rocket Pro built momentum throughout the quarter. A big catalyst came from Rocket Ignite, our large-scale event, bringing our mortgage broker partners across the country together. At Ignite, we launched Jupiter, a white-labeled loan origination system we're offering to our broker partners at no cost. Jupiter streamlines workflow, automates follow-ups and manages the loan lifecycle from registration to closing.

We also announced an expansion of our partnership with Compass and launched a special pricing incentive for Rocket Pro partners working with Compass agents. The market response has been immediate. In just the last two months, we've already added nearly 180 new Rocket Pro partners, which collectively represent a \$5 billion opportunity in annual closed loan volume. The pace at which we're adding partners continues to increase.

Cutting across all channels was the growth of our home equity and jumbo loan products, with both doubling year-over-year. This growth translated directly into market share expansion quarter-on-quarter and year-on-year. These increases were accompanied by healthy margins. Gain on sale margin, excluding correspondent, was 322 basis points in the first quarter, our highest since the first quarter of 2021.

But what makes these results particularly meaningful is not just their scale and magnitude. It's the foundation upon which they are built. With the acquisition of Mr. Cooper and Redfin, the composition of Rocket's revenue is more diverse than ever. In the first quarter, roughly 70% of Rocket's revenue came from recurring or less rate-sensitive sources.

We think about our business across three distinct revenue categories. First, recurring revenue, which includes the servicing business and the Rocket Money subscription business. This category represents our durable fee-based

foundation. Second, our less rate-sensitive revenue, which includes purchase mortgages, cash-out, closed-end seconds and the Redfin business, is primarily driven by housing activity and client demand. While these products have some relationship to rates, they offer an addressable market that is large and relatively stable.

The third category is rate-sensitive revenue, consisting of rate-and-term refinances and other items. Our rate-sensitive revenue has the most direct exposure to rate movements, but it's also our greatest source of upside when rates decline. This is what a balanced business model looks like. More than two-thirds of our revenue provides stability and predictability through the cycle. Rocket is no longer solely a rate-driven business. We are a business with durable, recurring revenue streams that also retain significant upside when rates fall.

Now, let me share an update on integration synergies. Integrating a business of this scale demands a disciplined execution. Our teams have moved with speed and precision, with a strict focus on protecting the Rocket client experience. The Mr. Cooper integration is running well ahead of schedule. As we mentioned last quarter, we identified the full \$400 million target for annualized expense synergies, with full realization expected by the end of 2026. That puts us an entire year ahead of our original plan.

Here is how we expect these savings to phase in between now and the end of the year. Through the end of the first quarter, we have realized \$75 million in annualized run-rate savings. By the end of the second quarter, we expect to capture another \$100 million in annualized savings, and the remaining \$225 million of annualized savings, we plan to capture in the second half of this year. These synergies flow directly into our fixed cost structure, primarily through the elimination of overlapping vendor contracts and the rationalization of duplicative functions.

On a related note, I'd like to give an exciting update on our origination capacity. At our September 2024 Investor Day, we shared that at that time, Rocket had the capacity to originate up to \$150 billion without adding fixed costs. We also shared that we expected to double that capacity to \$300 billion by the end of 2027. Since then, the pace of deployment has accelerated materially with the power of AI.

End-to-end digital refinancing, digital preapprovals for purchase mortgages, voice AI and SMS texting for prospecting clients, AI underwriting agents, these capabilities, backed by sustained investment, are live at scale today and driving real operating leverage. The result is that we now have up to \$300 billion of origination capacity with several hundred fewer production team members than we had back in 2024.

And we've done this two years ahead of schedule while actively reducing fixed costs through synergies. March is the clearest proof point. We ramped up volumes quickly from January and February's levels, causing nearly \$20 billion in volume without straining the platform. Loans closed per team member were up 75% compared to two years ago. AI is sharpening our unit economics and widening our competitive moat.

Now, turning to our outlook for the second quarter. Before getting into the numbers, let me frame up the current market environment. Since the outbreak of conflict in the Middle East in late February, rising energy prices have weighed on consumer sentiment and raised concerns about the future of inflation. Mortgage rates are approximately 50 basis points higher than their February lows.

Homes are taking longer to sell, averaging 51 days on market, the longest stretch since 2019. The spring home buying season is off to a slow start. Our real-time market indicators suggest that the mortgage market will not see the same sort of uplift in Q2 that historical seasonality would typically suggest. Our guidance reflects this reality and reflects our ability to outperform within it.

For the second quarter, we expect adjusted revenue to be between \$2,700 million and \$2,900 million. The midpoint of this range reflects our confidence in continued share gains. On the expense side, we anticipate approximately \$2,430 million at the midpoint of the revenue range. This includes \$110 million in amortization of intangible assets, \$100 million for stock-based compensation, and \$20 million in estimated one-time acquisition costs.

Excluding these items, expenses are expected to be \$2,200 million or approximately \$60 million lower from the first quarter, due to the realization of synergies and ongoing benefits of our AI initiatives. As a reminder, this Q2 expense guidance reflects the reclassification of warehouse interest expense from a contra-revenue account to an expense line item, which is consistent with the Q1 financials in the earnings release.

The net result implies higher profitability in the second quarter in what we expect to be a tougher market. 2026 is a pivotal year, and this platform is built for it. Our top of funnel reach, distribution network, massive servicing portfolio and technology platform form a durable, self-reinforcing competitive engine. Today, these strengths drive profitable growth regardless of how the macro environment shifts.

With that, operator, we're ready to take questions.

QUESTION AND ANSWER SECTION

Operator: We are now opening the floor for question-and-answer session. [Operator Instructions] Your first question comes from the line of Mihir Bhatia of Bank of America. Your line is now open.

Mihir Bhatia

Analyst, BofA Securities, Inc.

Q

[indiscernible] (00:24:36-00:24:43) in terms of the guide, you're guiding a little bit below where 1Q ended up. And I was just wondering if you could maybe talk through some of the internals a little bit, just what's driving that. Is it volume, margins? I know rates have backed up a bit, but [indiscernible] (00:24:58).

Varun Krishna

Chief Executive Officer & Director, Rocket Cos., Inc.

A

Yeah. Mihir, thank you for the question. Why don't I start by just talking a little bit about our market outlook, and then I'm going to ask Brian to unpack a little bit more detail on the specifics of our actual guide, because I think that context is important. So, let me start by just saying that Q1 started extremely strong. Rates were cooperating. And what you really see is Rocket's business model snapping into action exactly as designed. And this is really what's unique about our ecosystem and platform working.

Obviously, what happened later in the quarter is that a major conflict in the Middle East exploded. With the war, oil prices went up, inflation pressure increased, and then rates moved up. And that certainly changed some of the trajectory as we moved into Q2. I think the industry forecasts are expecting a step-up in Q2, but I would say that we're just not seeing that. What we see is that Q2 is probably going to look a little bit more like Q1. It's still healthy, but I expect that the forecasts are going to catch up to that reality. And that's what we're seeing in our real-time data.

So, yes, the environment has shifted. But I would say the underlying demand is still resilient, and that's the most important thing. And just speaking specifically about Rocket, when you have an ecosystem and a platform that's

built for this environment, when you could convert demand at scale, you have more of a self-perpetuating ecosystem with servicing that's really built for this exact moment. All of that is reflected in our guide, which is strong. And obviously, when the conflict resolves, we expect to benefit further. So, just with that backdrop, let me hand it over to Brian to unpack a little bit more about Q1 and the guide of Q2.

Brian Nicholas Brown

President, Chief Financial Officer & Treasurer, Rocket Cos., Inc.

A

Yeah. Thanks, Varun. Let me double click on Q1 first. I think January and February and really even the beginning of March really demonstrated our ability to capture the upside when rates cooperate. All of our channels outperformed. That includes recapture, our new client acquisition in especially the Pro business. But to Varun's point, today, the rate environment is just completely different. The 10-year is hovering somewhere around 440 basis points. You have to go all the way back to July of last year to see rates that high.

So, we've seen an expected pullback from rate-and-term refinance. There's no doubt about that. But the good news is, as we move into Q2, our less rate-sensitive products like cash-out and closed-end seconds continue to perform at those Q1 levels. And the other thing that's worth mentioning is servicing amortization. It's slowed down, which really demonstrates this balanced business model in action.

And just to comment on the purchase side for a second, it has been a slow-forming season. But it's important to note the pipeline of preapproved purchase clients is at our highest level of all time, proving that there are clients in market that want to buy homes. They just need a little bit of cooperation from rates.

So, I'll kind of end on a little bit more detail on the Q2 guidance. As Varun said, we think the market is tougher than the industry forecast would say. We think the Q2 numbers that you can see in some of the industry forecasts are just wrong. But from a volume perspective here at Rocket, we expect volumes to be similar to Q1, which is really impressive when you think about rates being more than 50 basis points higher than those Q1 levels.

And on the gain on sale margin front, gain on sale margins, we're happy to report, are holding very steady. In fact, on an individual channel level, we're seeing gain on sale margins so far in Q2 hold consistent with Q1. We are seeing a little bit of downward pressure just from mix shift to more Pro during a heavier purchase season, but overall, really healthy margins on the channel levels.

Mihir Bhatia

Analyst, BofA Securities, Inc.

Q

[ph] Got it (00:28:57). Thank you.

Operator: Your next question comes from the line of Jeff Adelson of Morgan Stanley. Your line is now open.

Jeffrey Adelson

Analyst, Morgan Stanley & Co. LLC

Q

Hey. Good afternoon. Thanks for taking my question. Just wanted to focus a bit on expenses here. It looks like your expenses came down quite a bit this quarter. I think they came in about 2% or maybe \$60 million below your guide. Can you talk a bit about what drove that beat? Was this the synergy execution, something else happening? I know you've kind of historically talked about, when you come in at the higher end of your revenue guide, your expenses tend to go above the guide you gave for the quarter. So, just maybe what happened there?

And then, your incremental margin also stepped up a little bit this quarter. Can you maybe just dive into how you're thinking about the business' incremental margins over time? I know you talk a lot about the 70% on the Rocket standalone side, but just maybe helping us unpack a little bit the different incremental margins for the two big parts of the business you now have. Thanks.

Brian Nicholas Brown

President, Chief Financial Officer & Treasurer, Rocket Cos., Inc.

A

Yeah. Thanks, Jeff. Appreciate the question. Look, really proud – I'm glad you asked it – of the work we've done on the expense side. And just a reminder for folks on the call that our goal is really simple. It's take fixed costs out of the system while increasing efficiency and capacity, essentially growing operating leverage. And just since we talked about capacity, we have \$300 billion of origination capacity right now, and that's more than doubled in two years. It's kind of crazy to think about, if we take a step back, where could our capacity be two years from now at this velocity.

And then, to your point, just to touch on the margin piece, remember, when we're doing recapture loans, which is a big part of our business, you have a cost of acquisition that's pretty close to zero, and you're generating 50% to 70% incremental EBITDA margins after amortization when we fill up that capacity. But to your point on the better-than-expected expenses in Q1, [ph] and notice too, the (00:31:03) Q2 guide on expenses is down as well, it is the synergies. It's taking fixed costs out of the system, and it's being ahead of our plan.

The Q2 guide at the midpoint has expenses down about \$60 million versus Q1 after adjustments. That's almost \$0.02 of EPS. So, you can see the operating leverage increasing and you can see the EBITDA margins expanding. And it's just worth mentioning, we said this in the prepared remarks, but we're a full year ahead of our original goal on the synergy on the expense side. We said \$400 million by the end of 2027, and we'll have that in the books by the end of 2026. So, we're doing everything we set out to do. We're decreasing fixed costs, we're increasing operating leverage, and we're getting more efficient along the way.

Jeffrey Adelson

Analyst, Morgan Stanley & Co. LLC

Q

Great. Thank you.

Operator: Your next question comes from the line of Chad Larkin of Oppenheimer. Your line is now open.

Chad Larkin

Analyst, Oppenheimer & Co., Inc.

Q

Hey. Thanks. You gave a couple of really good examples of how AI is benefiting your business today. How should we think about kind of future AI benefits to the business? I would think that it should help you be able to drive better long-term recapture rates over time for one. And then, how should we think about AI benefits to margin kind of over like, I don't know, medium and long-term? Thank you.

Varun Krishna

Chief Executive Officer & Director, Rocket Cos., Inc.

A

Yeah. Thanks for the question, Chad. I think the simple answer to your question is we expect the benefits of our technology and artificial intelligence investments to compound in a nonlinear way. But just stepping back for this, I think there's a lot of hype in the market right now around AI. And most of what you're seeing from other players in our industry are really narrow use cases. They work for one loan. They work for one scenario. You might see a demo here or there.

But what we find is that these competitive claims aren't really translating into real like outcomes and it's more like marketing hype. And that's just not how a real business operates. I've been a technologist for a long time, and I think what matters in AI, it's not the model, it's the system that's attached to the model that feeds it. And that's where Rocket is very special, right. We have the intent with Redfin, 50 million monthly active users at the top of the funnel. We have the economics in the financing with Rocket Mortgage, right. That's scaled to operate in 50 states, 3,000 counties. We have the ongoing servicing relationship with Mr. Cooper.

All of this is to say that this creates a proprietary dataset across the entirety of the homeownership lifecycle. And to your point, we're operating that system at scale, and I think that's a key point. Like our chat pulls credit 4,000 times per day. Our prospecting for AI has more than – processes more than 32,000 outbound leads every single day. And that's like real productivity. To give you a sense, just March of 2024 to March of 2026, closings per production team member, thanks to AI, is up 74%. So, there is literally no one else in this industry that's operating with AI at that level, and we're building the system that AI runs on scale from day one.

And the thing that I would just – I would leave you with is just sort of as you assess other players, I mean, just ask the simple question, like what are the outcomes that these are driving at scale? How many clients benefit? How much cost comes out? What is the net conversion improvement? How many loans are actually closed? And I think that's where the difference starts to show up. But I expect the benefits across every aspect of our company from how we acquire and grow demand at the top of the funnel to how we drive conversion, to how we reduce the cost to originate a loan, and then ultimately, how we force multiply recapture to increase and compound in a nonlinear way over the coming years.

Operator: Your next question comes from the line of Mark DeVries of Deutsche Bank. Your line is now open.

Mark DeVries

Analyst, Deutsche Bank Securities, Inc.

Q

Yeah. Thank you. Just had a question on how – it looks like you're tracking on recapture on the Mr. Cooper servicing book. I thought I heard something in the prepared comments about a 50% – 54% recapture. Was that just for Mr. Cooper Group? And can you just talk about your optimism of ultimately getting kind of the low-60% range that was kind of assumed in the deal economics?

Varun Krishna

Chief Executive Officer & Director, Rocket Cos., Inc.

A

Yeah. Great question, Mark. We're going to – I want to get to the specifics of recapture and where we see the synergy opportunity, but we're very, very bullish. I think it's probably just helpful for me to just give a high-level overview of just where we are with integration, and then I'll ask Brian to go a little bit deeper into synergies. And the first thing I would just say is, look, we are in the midst of a pretty massive integration of two big public companies. But I could not be more proud of the progress that we've made.

You have multiple companies, systems, cultures, all coming together at scale, and it impacts thousands of our team members. But let me just share with you all just three key data points that give me a lot of confidence in our progress. The first one is complexity. We've just completed the largest servicing transfer in industry history, bringing our servicing platforms and our client base into one unified experience. So, that's millions of clients, trillions of dollars of principal balance unpaid, thousands of workflows that are now fully unified into a single system, which is pretty impressive.

The second is simply culture. Integrations only work if the culture works, and we're definitely seeing that. We just did a baseline survey of the entire new Rocket organization, inclusive of Redfin, inclusive of Mr. Cooper, and engagement, which I think as you know is a key measure of pride, desire and belief in the company's strategy, is at 82%, and that's up 2 points. That's across the entire integrated organization, and that gives me a lot of confidence that our team and our org is with us.

And then, the third thing is just execution, and I'm going to give this to Brian in a minute. But we are well ahead of plan. We originally guided to 2027 for Mr. Cooper expense synergies. We now expect to achieve that in 2026. We're doing that while increasing capacity, while continuing to invest in the platform and while running the business, quarter-over-quarter meeting or beating our guidance.

So, it's not just about taking out cost. It's about building an efficient system that's more scalable, more efficient, and really bringing a team along that journey that believes in the future of the company. So, overall, we feel very good about the progress. We're very bullish on recapture, ahead of schedule. And then, Brian, maybe you can just unpack some more detail on the synergies and recapture.

Brian Nicholas Brown

President, Chief Financial Officer & Treasurer, Rocket Cos., Inc.

A

Sure. Yeah. I think we touched on the expense side. But Mark, let me answer your question on recapture and get into the revenue side of the synergies. Yeah, 54% of our closings were from the service portfolio. That's inclusive of Rocket and Mr. Cooper all-in, just to clarify. But on the recapture rates specifically, we're ahead of plan in terms of what we set out to do. And actually, when we look at the Mr. Cooper portfolio and we look at the Mr. Cooper-originated portfolio, we're seeing recapture rates that are the highest in the history of Mr. Cooper.

So, that's really good to see. But actually, the thing that I'm really excited about, even maybe more so, is on the Mr. Cooper portfolio that was acquired or purchased, we're seeing really nice increases in that recapture. And as we talked about on previous calls, both of those are important, because to the extent we can continue to convince ourselves that we have better recapture on purchase portfolios, that opens up many different ways of acquiring MSRs, putting them on the portfolio and increasing the LTV through great recapture.

So, ahead of plan on the Mr. Cooper recapture, which is, as you know, the lion's share of the revenue synergies. And it is just worth saying too, remember, on the Redfin side, it was all about attach rates, and we have line of sight into 50% attach rates already in the Redfin side. We're hovering around 45%, and that's continuing to increase. So, we're seeing really nice revenue synergies on the Redfin side as well.

Mark DeVries

Analyst, Deutsche Bank Securities, Inc.

Q

Great. Thank you.

Operator: Your next question comes from the line of Ryan McKeveny of Zelman. Your line is now open.

Ryan McKeveny

Analyst, Zelman & Associates

Q

[audio gap] (00:39:44) results. So, I wanted to dig in a bit on the Compass partnership. I know it's only been a couple of months. But can you talk about what you're seeing thus far out of the partnership? And I guess I'm curious both on the Redfin side in terms of traffic to the website, just lead generation, those dynamics, but also on

the Rocket side, being embedded as the digital mortgage provider within the Compass platform. Anything you can share in terms of what you're seeing thus far out of the relationship there? Thank you.

Varun Krishna

Chief Executive Officer & Director, Rocket Cos., Inc.

A

Yeah, of course. Thank you for the question, Ryan. I'll start by just saying that this partnership is very exciting to us. This is about skating toward where the puck is going. And the purpose of this partnership is really to impact the way that this industry fundamentally works. The issue today is that the home buying process is extremely fractured, right. You have inventory in real estate. You have traffic, mortgage and servicing, and they're all separate. That is not good for consumers. Whether you're a buyer or a seller, that creates friction. It makes things more expensive, and frankly, it's antiquated.

And so, what we're trying to do is just bring these things closer together and connect them, so that the end consumer, the end client, the buyer, the seller can benefit. And the idea is pretty simple. Inventory drives traffic. Traffic drives leads. Leads drive mortgage. Mortgage leads to servicing, and that creates recapture. So, as you mentioned, in terms of the specifics of the partnership, it is early days. But just a couple of months in, we're very pleased with the signals and the productivity of the teams.

And I'll just give you a couple of key data points. We've already generated nearly 10,000 exclusive listings on Redfin. So, that's inventory that drives traffic, and that's really helping to drive more inventory and discovery. We've delivered just shy of 30,000 leads into the Compass ecosystem as an evolution of the Redfin business model. And what's also really exciting is one in four of our purchase loans in our TPO broker channel are actually coming from Compass.

And so, all of these are promising, but this is just the beginning. These are just the early days. And with any large-scale enterprise partnership, we've got more work to do. But this is an extension of the platform that we're building. One system, benefits the client, better, faster, lower rates, lower fees. So, those are just some early indicators. The teams are working really well together. We're very connected, and we're just going to keep sharing more progress as this continues.

Ryan McKeveny

Analyst, Zelman & Associates

Q

Great. Thank you.

Operator: Your next question comes from the line of Don Fandetti of Wells Fargo. Your line is now open.

Donald Fandetti

Analyst, Wells Fargo Securities LLC

Q

Hi, Varun. I was wondering if you can provide your updated thoughts on the competitive landscape. I mean, it just seems like some of the other [ph] originator servicers (00:42:45) are struggling to keep up with some of the expense and AI investment. And then, sort of related to that, how are you feeling about tracking towards your market share goals?

Varun Krishna

Chief Executive Officer & Director, Rocket Cos., Inc.

A

Yeah. Thank you for the question, Don. I mean, I'll start by talking about competition, and then I can move into market share. To be honest with you, we don't spend a ton of time focused on competition. I mean, we respect

our competitors. We learn from them. But our maniacal focus is on the client. It's on executing. It's building a fully integrated platform across search, mortgage and servicing. And that's what you see with Rocket, Redfin and Mr. Cooper coming together, and you sort of see that in our outcomes.

I would say, across the industry, a key factor is going to be average time to close a loan. It's something that we pay a lot of attention to. That's like 45 days today. In March of this year, Rocket's days to close was less than half of that, and almost half of our loans even within that close in 15 days or less. And I think what that tells me is it sort of validates your thesis, which is that for some of these competitors, the technology investments are just not translating into like real operational performance. It's more of a marketing architecture that I think gives you some headlines. It gives you some PR value.

But for us, this is like really different. I mean, our technology is built for scale. It's built to benefit millions of clients on day one. And as I said earlier, I just think there's a lot of claims in the market specific to AI, and when you really dig into it, you realize that they operate in extremely narrow use cases. And so, again, I would just sort of ask these basic questions like at what scale does it operate, how many loans are actually closed, how much revenue is actually generated, how much cost is taken out. I think that's where the difference really shows up.

And so, as you heard in our prepared remarks, we talk about the scale, we talk about the impact. And look, at the end of the day, I come from a school of thought where you always respect your competitor, but you have to be very clear on your strategy, you set the direction, and that's our plan is we're just going to keep building. It's interesting to see others sort of reacting to it and following suit and replicating it. But we're going to stick to our game plan.

In terms of market share, I'll just say really quickly, we feel really good about our progress and our ability to achieve our market share goals. Q1 is a good example of that. We gained market share in both purchase and refinance quarter-over-quarter and year-over-year. The thing I would just say is that candidly, consistently, growth is not going to be perfectly linear. Like it's going to ebb and flow depending on a large number of factors that we've talked about. But look, the fundamentals and the underlying drivers of our – of share in our model are all working, right. We see runway with Redfin in terms of attach rate and how traffic is converting into mortgage.

On the servicing side, the recapture is a very strong driver and a lever that will continue to increase in value. We continue to acquire new clients through great brand marketing and prospecting. So, if you kind of step back, I would say the inputs that drive share are performing. And when those inputs work, the share will follow. That gives us confidence in our path forward and our long-term goals. The last thing I would just say is that we are very principled in how we invest and drive growth. We are not going to sacrifice profitability to chase share. We're focused on growing share the right way for the long-term. That's how we think you run a company.

Donald Fandetti

Analyst, Wells Fargo Securities LLC

Thank you.



Operator: Our last question comes from the line of Bose George of KBW. Your line is now open.

Bose George

Analyst, Keefe, Bruyette & Woods, Inc.



Hey, guys. Good afternoon. Actually, I was going to ask about the market share as well. But just to follow up on that, how do you guys feel about growing the correspondent channel as also a way to increase your market share?

Brian Nicholas Brown

President, Chief Financial Officer & Treasurer, Rocket Cos., Inc.

A

Hey, Bose. Yeah. Thanks for the question. Yeah. Listen, we really like the correspondent channel. Obviously, that wasn't a big deal to Rocket before. But that was one of the attractive points of Mr. Cooper. And there's several different ways, as we know, to acquire MSRs. Of course, the way we like the most is just acquiring the client and doing the first loan, doing it organically. Rocket has traditionally participated in the bulk market, and we'll continue to look at that. But the correspondent channels are really efficient way to fill that servicing funnel.

And kind of going back earlier to those recapture rate discussions, we know our recapture rate even on acquired MSRs is higher than what the industry experiences and it's still going up every single day. So, it allows us to be very thoughtful in the ROI equation. So, it's definitely a big part of our capital waterfall and a place that we'll continue to invest. But it ultimately just comes down to a best execution decision that we make almost every single day between acquiring clients out in market, bulk acquisitions, correspondent, and even the co-issue business is also a very attractive way to acquire MSRs.

Bose George

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay, great. Thanks.

Operator: Thank you. I would now like to hand the call back to Varun Krishna for closing remarks.

Varun Krishna

Chief Executive Officer & Director, Rocket Cos., Inc.

Thanks, everybody, for listening, and we look forward to seeing you next quarter.

Operator: Thank you for attending today's call. You may now disconnect. Good-bye.

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